

# **Cost Savings and Justification for Changes to CON Law to Allow Single-Specialty Ambulatory Surgery Centers**

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# **2005 Change in CON Law for GI Endoscopy Procedure Rooms**

**During the six years following the 2005 change in the CON law, 47 new GI Endoscopy ASC facilities were developed. GI endoscopy cases performed in ASCs are reimbursed by Medicare at 57% of the rates paid to hospitals for the same procedures.**

**A recent study published in the New England Journal of Medicine verifies that colonoscopy procedures save lives.**

**Total net savings related to the shift of GI endoscopy cases from hospitals to ASCs over the past six years is estimated at \$224,605,748.**

**Changes to the NC CON law to allow additional single-specialty ASCs would provide tremendous cost savings in future years.**

# North Carolinians Have Limited Access to ASCs

	2012 North Carolina	2010 US Totals
Total Licensed ASCs (Surgical and Endoscopy)	96	5,316
Population	9,781,022	308,745,538
ASCs per 100,000 Population	0.98	1.72

States	CON Status	2012 Licensed ASCs	2012 Population	ASCs per 100,000 Population
Virginia	CON Required	51	8,001,024	0.64
North Carolina	CON Required	96	9,781,022	0.98
South Carolina	CON Required	75	4,625,364	1.62
Tennessee	CON Required	162	6,346,105	2.55
Georgia	Exemptions for Single Specialty and JV ASCs with \$ Thresholds	333	9,687,653	3.44
Florida	No CON Required for ASCs	422	18,801,310	2.24

# **2011 Procedure Volumes and Top Physician Specialties At ASCs**

## **Highest Procedure Volumes by Specialty Performed in NC Surgical ASCs**

<b>Ophthalmology</b>	<b>57,345</b>
<b>Orthopaedic Surgery</b>	<b>32,134</b>
<b>Otolaryngology</b>	<b>24,381</b>
<b>General Surgery</b>	<b>8,597</b>
<b>Obstetrics and GYN</b>	<b>6,626</b>
<b>Plastic Surgery</b>	<b>2,746</b>

## **Highest Volumes of Non-Surgical Procedures Performed in NC Surgical ASCs**

<b>Pain Management</b>	<b>20,760</b>
<b>Yag Lasers</b>	<b>5,563</b>

## **Top 6 Physician Specialties on ASC Medical Staff (This is not a measure of physician ownership)**

<b>Orthopaedic Surgery</b>	<b>338</b>
<b>Anesthesia</b>	<b>294</b>
<b>Ophtalmology</b>	<b>246</b>
<b>Obstetrics and GYN</b>	<b>244</b>
<b>Otolaryngology</b>	<b>182</b>
<b>General Surgery</b>	<b>178</b>

# **Rationale for Changing CON Law to Allow CON Applications for Single-Specialty ASCs**

- ✓ **Ambulatory surgical centers provide tremendous cost savings to patients, insurance companies and government payors**
- ✓ **ASCs enable surgeons to be more efficient**
- ✓ **Proposals can be submitted by physicians, hospital-owned physician groups or other legal entities including joint ventures**
- ✓ **This change will increase competition and patient access**
- ✓ **ASCs will be required to provide specific levels of care to Medicaid and Charity patients and to provide annual reports**
- ✓ **This change in the CON law will support the future recruitment of physician specialists to North Carolina**
- ✓ **This change will increase investment in facilities, create jobs and expand the tax base**

## NC Medicaid Ambulatory Surgery Actual Cases and Amounts Paid

	2011	2012
Hospital Medicaid Ambulatory Surgery Paid Amounts	\$74,799,293	\$85,191,372
Hospital Medicaid Ambulatory Surgery Cases	164,489	172,673
Average \$ Paid per Case	\$454.74	\$493.37
ASC Medicaid Ambulatory Surgery Paid Amounts	\$13,597,774	\$14,589,820
ASC Medicaid Ambulatory Surgery Cases	46,951	43,895
Average \$ Paid per Case	\$289.62	\$332.38
Combined ASC and Hospital Paid Amounts	\$88,397,067	\$99,781,192
Combined ASC and Hospital Ambulatory Cases	211,440	216,568
Average \$ Paid per Case	\$418.07	\$460.74
Variance between Hospital and ASC per Case Paid Amount	\$165.12	\$160.99
Percentage Variance of Hospital and ASC Paid Amount	36.31%	32.63%

# Projections of Future Years' Cases and Amounts Paid With No Changes in CON Law

## Project Future Medicaid Total Cases and Amounts Paid

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Combined # ASC and Hospital Ambulatory Cases	211,440	216,568	221,982	227,532	233,220	239,051	245,027	251,152	257,431	263,867
Average \$ Paid per Case	\$418.07	\$460.74	\$465.35	\$470.00	\$474.70	\$479.45	\$484.24	\$489.08	\$493.97	\$498.91
Combined ASC and Hospital Paid Amounts in Millions	\$88.4	\$99.8	\$103.3	\$106.9	\$110.7	\$114.6	\$118.7	\$122.8	\$127.2	\$131.6

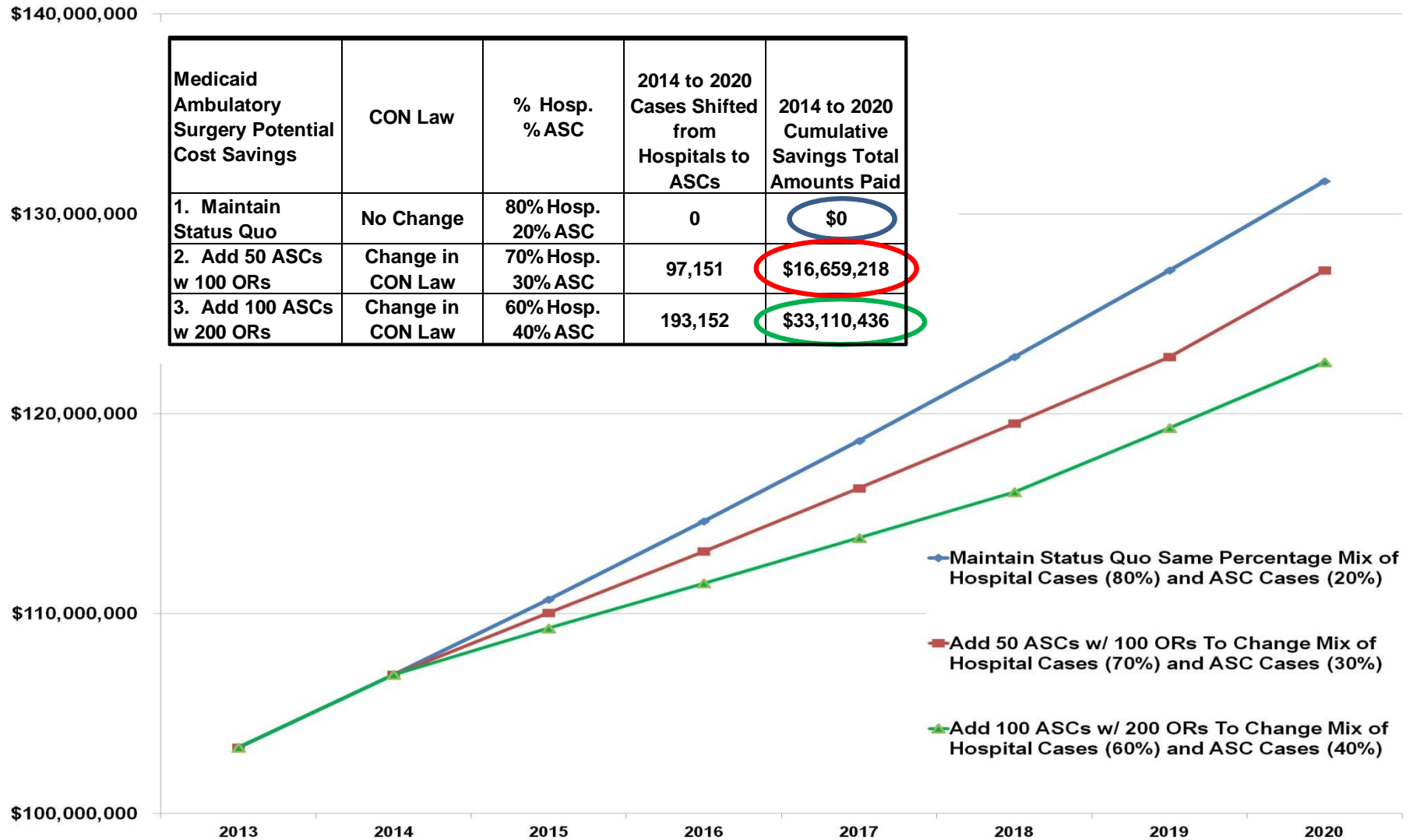
Assumptions 2013 to 2020:

Combined ASC and Hospital Cases Increase 2.5% Annually

Average Paid per Case Increases 1% Annually

# Medicaid Ambulatory Surgery Projections; Three Scenarios for Total Combined Annual Paid Amounts for Hospital Cases and ASC Cases

Medicaid Ambulatory Surgery Potential Cost Savings	CON Law	% Hosp. % ASC	2014 to 2020 Cases Shifted from Hospitals to ASCs	2014 to 2020 Cumulative Savings Total Amounts Paid
1. Maintain Status Quo	No Change	80% Hosp. 20% ASC	0	\$0
2. Add 50 ASCs w 100 ORs	Change in CON Law	70% Hosp. 30% ASC	97,151	\$16,659,218
3. Add 100 ASCs w 200 ORs	Change in CON Law	60% Hosp. 40% ASC	193,152	\$33,110,436





# NC State Health Plan Ambulatory Surgery Cases and Amounts Paid (SHP Enrollment 663,000 Persons)

	2011	2012
Hospital SHP Ambulatory Surgery Paid Amounts	\$186,272,164	\$186,586,774
Hospital SHP Ambulatory Surgery Cases	60,847	58,383
Average \$ Paid per Case	\$3,061.32	\$3,195.91
ASC SHP Ambulatory Surgery Paid Amounts	\$14,216,247	\$15,714,905
ASC SHP Ambulatory Surgery Cases	14,798	13,485
Average \$ Paid per Case	\$960.69	\$1,165.36
Combined ASC and Hospital Paid Amounts	\$200,488,411	\$202,301,679
Combined ASC and Hospital Ambulatory Cases	75,645	71,868
Average \$ Paid per Case	\$2,650.39	\$2,814.91
Variance between Hospital and ASC per Case Paid Amounts	\$2,100.63	\$2,030.55
Percentage Variance of Hospital and ASC Paid Amounts	68.62%	63.54%

NC SHP Surgery Utilization Mix of ASC and Hospital Cases	2012	% Mix
Hospital SHP Ambulatory Surgery Cases	58,383	81%
ASC SHP Ambulatory Surgery Cases	13,485	19%
Total Combined SHP Ambulatory Surgery Cases	71,868	

# State Health Plan Ambulatory Surgery Projections of Future Years' Cases and Amounts Paid With No Changes in CON Law

## Project Future State Health Plan Total Cases and Amounts Paid

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Combined # ASC and Hospital Ambulatory Cases	90,443	85,353	87,487	89,674	91,916	94,214	96,569	98,983	101,458	103,994
Average \$ Paid per Case	\$2,373.92	\$2,554.29	\$2,579.84	\$2,605.63	\$2,631.69	\$2,658.01	\$2,684.59	\$2,711.43	\$2,738.55	\$2,765.93
Combined ASC and Hospital Paid Amounts in Millions	\$214.7	\$218.0	\$225.7	\$233.6	\$241.9	\$250.4	\$259.2	\$268.4	\$277.8	\$287.6

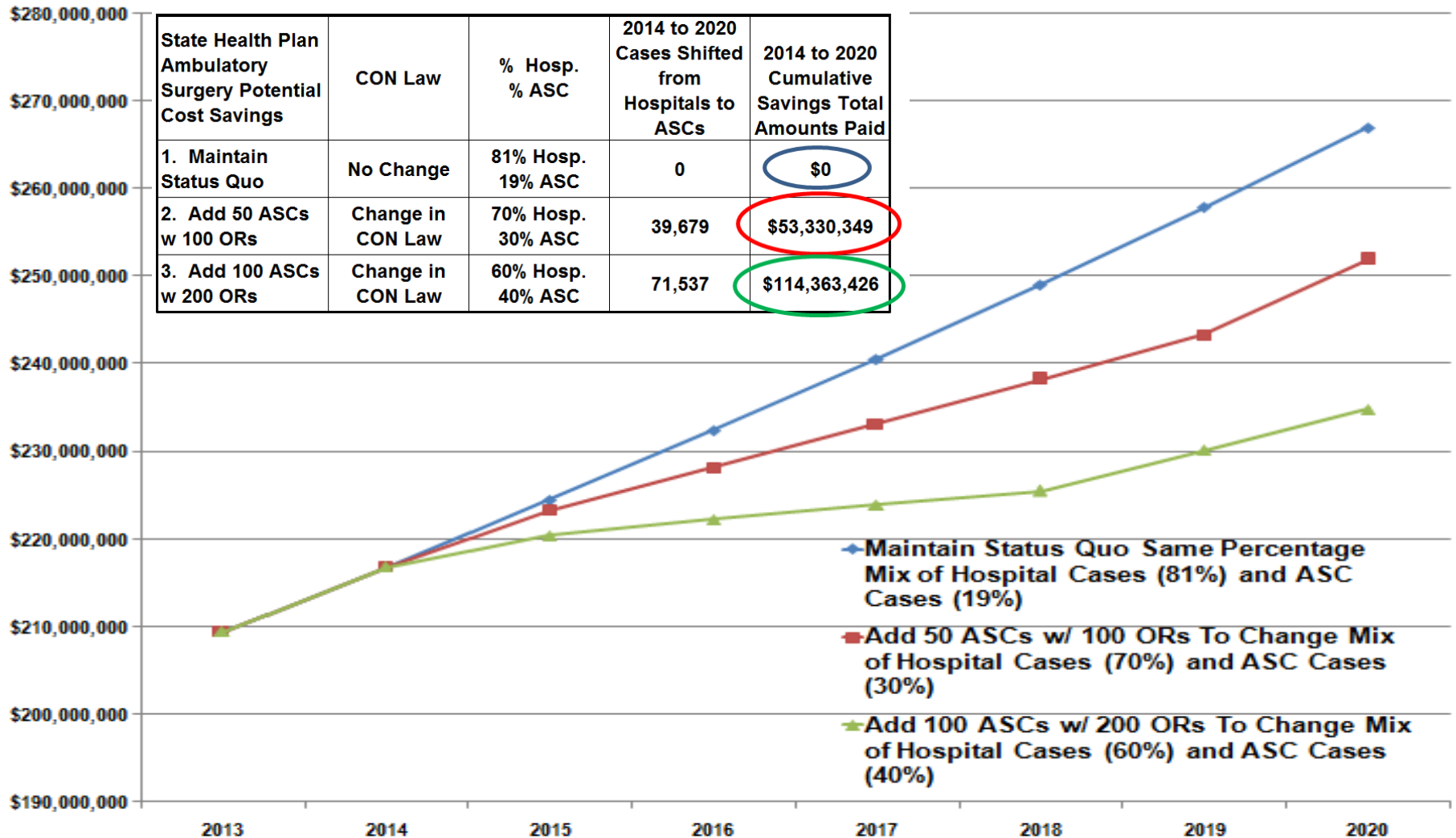
Assumptions for 2013 to 2020:

Combined ASC and Hospital Cases Increase 2.5% Annually

Average Paid per Case Increases 1% Annually

# State Health Plan Ambulatory Surgery Projections; Three Scenarios for Total Combined Annual Paid Amounts for Hospital Cases and ASC Cases

State Health Plan Ambulatory Surgery Potential Cost Savings	CON Law	% Hosp. % ASC	2014 to 2020 Cases Shifted from Hospitals to ASCs	2014 to 2020 Cumulative Savings Total Amounts Paid
1. Maintain Status Quo	No Change	81% Hosp. 19% ASC	0	\$0
2. Add 50 ASCs w 100 ORs	Change in CON Law	70% Hosp. 30% ASC	39,679	\$53,330,349
3. Add 100 ASCs w 200 ORs	Change in CON Law	60% Hosp. 40% ASC	71,537	\$114,363,426



# Medicaid and State Health Plan

## Estimated Savings Following Change in CON Law

	<b>2014 to 2020</b>
<b>Scenario 1 - No Changes to CON Law , Ambulatory Cases Remain at 80% Hospitals and 20% ASCs</b>	<b>Scenario 1</b>
<b>Total Medicaid + SHP Amounts Paid</b>	<b>Cumulative \$2,520,532.219</b>
<b>Savings</b>	<b>\$0</b>
<b>Scenario 2 - Add 50 ASCs w 100 ORs (2 per ASC) Changes Ambulatory Cases to 70% Hospitals and 30% ASC</b>	<b>Scenario 2</b>
<b>Total Medicaid + SHP Amounts Paid</b>	<b>Cumulative \$2,450,542,562</b>
<b>Savings</b>	<b>\$69,989,568</b>
<b>Scenario 3 - Add 100 ASCs with 200 ORs (2 per ASC) Changes Ambulatory Cases to 60% Hospitals and 40% ASCs</b>	<b>Scenario 3</b>
<b>Total Medicaid + SHP Amounts Paid</b>	<b>Cumulative \$2,172,694,165</b>
<b>Savings</b>	<b>\$147,473,862</b>

**Cumulative Cost Savings Range Between \$70 Million and \$147 Million Depending on the Number of ASCs and the Shift of Cases**

# **Key Factors Regarding Changes To CON Law**

## **Single Specialty ASCs:**

**Must meet all licensure and accreditation standards and Medicare Conditions of Participation**

**Must establish transfer agreements with local hospitals**

**Will be required to provide access for Charity Care and Medicaid patients on par with existing hospitals and ASCs and consistent with written policies**

**Must submit annual reports of Charity Care and Medicaid utilization**

**Will not be permitted to be developed in the 23 rural counties with a Critical Access Hospital**

# Key Factors Regarding Changes To CON Law

**Single-specialty ASCs should not be permitted to be developed in the 23 rural counties with a Critical Access Hospital**

	Hospital	City	County
1	Swain County Hospital	Bryson City	Swain
2	Our Community Hospital	Scotland Neck	Halifax
3	Montgomery Memorial Hospital	Troy	Montgomery
4	Vidant Bertie Hospital	Windsor	Bertie
5	Bladen County Hospital	Elizabethtown	Bladen
6	Hoots Memorial Hospital	Yadkinville	Yadkin
7	St. Lukes Hospital	Columbus	Columbus
8	Chatham Hospital	Siler City	Chatham
9	Davie County Hospital	Mocksville	Davie
10	Pender Memorial Hospital	Burgaw	Pender
11	Washington County Hospital	Plymouth	Washington
12	Vidant Pungo District Hospital	Belhaven	Beaufort
13	Alleghany Memorial Hospital	Sparta	Alleghany
14	Stokes-Reynolds Memorial	Danbury	Stokes
15	J. Arthur Doshier Hospital	Southport	Brunswick
16	Blowing Rock Hospital	Blowing Rock	Watauga
17	Highlands-Cashiers Hospital	Highlands	Macon
18	Vidant Chowan Hospital	Edenton	Chowan
19	Transylvania Hospital	Brevard	Transylvania
20	Charles A. Cannon Jr. Memorial	Linville	Avery
21	Outer Banks Hospital	Nags Head	Dare
22	Ashe Memorial Hospital *	Jefferson	Ashe
23	Angel Medical Center	Franklin	Franklin

## **Concerns Regarding Current CON Law**

**Hospitals can file CON applications to relocate existing hospital licensed ORs to new outpatient facility locations and obtain the higher reimbursement as hospital-based ORs. In addition, hospitals currently can acquire freestanding ASCs and file CON applications to convert these ORs into hospital-based ORs to maximize reimbursement. Converting freestanding ASC ORs into hospital-based ORs unfairly increases costs and charges to patients, insurance companies and government payors.**

**The NC CON law could be changed to define hospital-based ORs as only those that are located within the same facility location as the existing emergency department and licensed inpatient acute care beds. Furthermore hospital-based ORs should not be movable unless the entire hospital is relocated or a new hospital is established with CON approval.**

## **Additional Points**

**There is no guarantee that a CON application for a single-specialty ASC will be approved. The CON process gives applicants the opportunity to demonstrate how their project will conform to all the rules and benefit the community. Anyone can submit comments during the CON process. Also, the CON Section has the authority to impose conditions on the applicant.**

**Hospitals will have the option of submitting CONs for single-specialty ASCs in collaboration with surgeons.**

**ASCs provide normal competition and patient choice - - why should NC citizens have less access to ASCs than citizens of most other states?**